MERCER
A MARSH BUSINESS

Mercer Short Duration Fixed Income Fund

Fund Commentary | Q2 2026

Market Environment

US bonds delivered marginally positive returns in Q2 2026, despite yields rising broadly. Year over year inflation moved up to 4.2%, due to the rising energy costs as the conflict in the Middle East persists. This is the highest year over year inflation rise in more than three years. Despite this rise in inflation, consumer spending continued to show resilience, though this resilience is more pronounced in the higher income consumer bucket. The US federal reserve held interest rates steady throughout the quarter, however post meeting comments from Kevin Warsh, the new Fed chair in June implied the Fed's next move could involve an interest rate hike. Amongst this backdrop, yields moved higher across the board, with shorter term yields rising most in response to the elevated inflation concerns and shifting fed expectations.

Within spread markets, improving geopolitical sentiment, resilient economic data, positive corporate earnings and renewed inflows bolstered credit markets. A general risk on market sentiment saw spread tightening across the board, though more pronounced in Ba and B portions of the high yield market. Low quality high yield on the other hand, posted a modest loss.

Annualized Performance (%)

As of June 30, 2026

	3 Month	Year-to-Date	1 Year	3 Years	5 years	Inception	Inception Date
Y3 Shares	0.65	0.98	3.67	-	-	5.20	12/01/2023
Bloomberg U.S. 1-3 Year Gov/Credit	*0.48*	*0.77*	*3.14*	-	-	*4.53*	
I Shares	0.59	0.76	-	-	-	0.77	12/30/2025
Bloomberg U.S. 1-3 Year Gov/Credit	*0.48*	*0.77*	-	-	-	*0.76*	

The performance data quoted reflects past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate so an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data shown herein. Performance shown is net of fees and assumes the reinvestment of dividend and capital gain distributions. For more information including performance current to the most recent month-end, please call 1-800-346-2510.

Fund Performance

The Mercer Short Duration Fund outperformed its benchmark, the Bloomberg 1–3-year Gov/Credit Index for the quarter. At a fund level, the driver of positive excess return was sector allocation within corporates and securitized products.

Aristotle outperformed the benchmark in Q2, primarily due to sector allocation, with overweight exposures to investment grade corporates, ABS, and bank loans adding value as credit sectors outperformed Treasuries. Offsetting some of this benefit, the portfolio's longer-than-benchmark duration modestly detracted as interest rates moved higher during the quarter.

Merganser outperformed the benchmark in Q2, driven mainly by sector allocation, especially its underweight to U.S. Treasuries and overweight positions in RMBS, CMBS, ABS, Financials, and Utilities. Curve and duration positioning also contributed positively, with the portfolio's overweight to the 0–1 year segment of the yield curve adding value. Security selection modestly detracted, primarily due to weaker performance within RMBS and Financials.

Voya outperformed the benchmark in Q2, supported by duration and yield curve positioning over the quarter. Sector allocation also contributed positively, led by securitized credit holdings and meaningful contribution from investment grade corporates. These gains were partially offset by weaker security selection, while other effects reflected trading activity, pricing differences, rounding, and other unattributable factors.

Share Class Information

	Y3	I
Ticker	MSDYX	MSDBX
Gross Expense Ratio	0.60%	0.85%
Net Expense Ratio	0.20%	0.44%

Mercer Investments LLC (the "Advisor") has contractually agreed, until at least July 31, 2027, to waive any portion of its management fee that exceeds the aggregate amount of the subadvisory fees that the Advisor is required to pay to the Fund's subadvisors. The Advisor has also contractually agreed, until at least July 31, 2027, to waive fees and/or reimburse Fund expenses to the extent that annual fund operating expenses, net of the management fee waiver, exceed 0.20% for Class Y-3 shares. See the Fund's prospectus for important details. Performance would have been lower without these waivers in effect.

Net Expense Ratio as of 3/31/2026 per the latest Annual Financial Statements. Net Expense Ratio includes the impact of fee waivers and excludes certain indirect expenses of underlying investments. A 2.00% redemption fee applies to shares owned less than 30 days.

Class Y-3 shares generally are available only to "Institutional Investors" which include, but are not limited to, "Institutional Accounts" as defined under the rules of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Important Disclosures

The material in this fact sheet is based on information from a variety of sources we consider reliable, but we do not represent that the information is accurate or complete. Errors and omissions can occur. You may have a gain or a loss when you sell your shares of the Fund.

The Mercer Funds are distributed by MGI Funds Distributors, LLC.

Investors should carefully consider the fund's investment objectives, risks, charges and expenses before investing. To obtain a prospectus that contains this and other information, please visit Mercer's website at https://www.mercer.us/what-we-do/wealth-and-investments/delegated-solutions-us.html or call 1-800-346-2510. Please carefully read the prospectus, and if available, summary prospectus, before investing.

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Risk Factors

The Fund is subject to the risks associated with the underlying bonds and other fixed income securities including credit, prepayment, call and interest rate risk. As interest rates rise, the value of the Fund can go down and an investor can lose principal. The Fund may invest in foreign securities which may expose the Fund to adverse currency and exchange rate fluctuations, political, social and economic risks. Investing in derivatives (such as futures, options or swaps) and high yield bonds (also known as 'junk' bonds) may cause the Fund to experience greater volatility and less liquidity. Derivatives may be more sensitive to changes in market conditions and may amplify the risk of loss for the Fund. The Fund may experience high portfolio turnover which could result in higher transaction costs and capital gains. There can be no assurance that any fund will achieve its objective.

Index Disclosures

The indices listed are not managed and one cannot invest directly in an index.

The Bloomberg U.S. Gov/Credit 1-3 Year Index® is a benchmark index that measures the performance of investment-grade, US dollar-denominated, fixed-rate, taxable corporate and government debt with maturities between 1 and 3 years. It includes both corporate and government bonds that meet the specified criteria.

Key Terms & Acronyms

ABS – Asset-Backed Securities are financial products created by bundling together loans, such as car loans or credit card debt, which investors can buy to receive any regular payments on those loans.
Basis Point (bp) – One one-hundredth of a percentage point (0.01%, or 0.0001 in decimal), commonly used in finance to express small changes in interest rates, yields, or fees.
BDC – Business Development Companies are investment firms that provide funding to small and growing businesses, offering investors a way to earn any income from those investments.
CDX – The Credit Default Swap Index is a benchmark index used to hedge or speculate on credit risk, encompassing a diverse set of credit default swaps from North American and emerging market companies.
Credit Rating – Credit ratings are assessments by agencies (such as S&P, Moody's, and Fitch) of a bond issuer's ability to repay its debt, intended to help investors gauge credit/default risk. Generally, ratings of BBB- (S&P/Fitch) or Baa3 (Moody's) are considered lower risk, or investment grade, while BB+ or Ba1 and lower are higher risk (sub-investment grade, high yield, or junk).
CLO – Collateralized Loan Obligations are investment products that pool many loans made to companies, allowing investors to earn any income from loan payments while spreading out the risk.
CMBS – Commercial Mortgage-Backed Securities are investment products made by pooling commercial property loans, like those for office buildings or shopping centers, which investors can buy to receive any income from those loan payments.
CPI – Consumer Price Index is a measure that tracks how the prices of everyday goods and services, such as food and clothing, change over time.
Duration – A measure of how sensitive a bond's price is to changes in interest rates.
Investment Grade (IG) – A category of bonds considered to have a relatively lower risk of default, based on ratings from major credit rating agencies. Investment grade typically includes ratings of BBB- / Baa3 or higher.
MBS – Mortgage-Backed Securities are investment products made up of bundles of residential or commercial property loans that investors can buy to earn any income from payments on those loans.
RMBS – Residential Mortgage-Backed Securities are investment products made up of bundles of home loans that investors can buy to earn any income from the mortgage payments homeowners make. These may include Agency RMBS, which include home loans backed by the government, and Non-Agency RMBS, which include home loans that are not.
Spread – The extra yield (interest rate) an investor earns for taking on additional risk compared with a safer benchmark, often U.S. Treasury bonds. When spreads widen, it usually signals investors are demanding more compensation for risk; when they narrow, it can indicate improving risk sentiment.